

**COMMITTEE ON GOVERNMENT REFORM**  
**SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, FINANCE, AND ACCOUNTABILITY**  
*TODD RUSSELL PLATTS (PA-19), CHAIRMAN*



***MEDIA ADVISORY***

**For immediate release:**  
**Monday, February 27, 2006**

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***Government Financials Highlight  
Need to Address Long-Term Challenges***

***What:***           **Oversight Hearing: “U.S. Fiscal Outlook and the FY 2005  
Governmentwide Financial Statements”**

***When:***           **Wednesday, March 1, 2006, 2:00 p.m.**

***Where:***           **Room 2247 Rayburn House Office Building**

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The Subcommittee on Government Management, Finance, and Accountability will conduct an oversight hearing in the long-term fiscal outlook for the U.S. government. The *2005 Financial Report of the United States* provides one of the best snapshots of the financial health of the Federal government and includes the results of financial operations, our financial condition, revenues and costs, assets and liabilities, and other obligations and commitments.

In contrast to the Federal budget, which uses a cash basis for reporting, the *Financial Report* is compiled on an accrual basis. This difference makes the *Financial Report* a far more dynamic analytical tool. While the budget can be used for planning and control in a current fiscal year, the *Financial Report* presents an opportunity to analyze long-term obligations and spending and revenue trends. It can also provide a look back at the true cost of government.

The 2005 *Report* shows that the Federal government spent \$760 billion more than it collected in FY 2005 and contrasts this number with the \$319 billion budget deficit for FY 2005. Although the budget deficit decreased by \$93 billion from fiscal years 2004 to 2005, net operating cost – expenses over revenue – actually *increased* by \$144 billion.

The *Report* also contains a crucial analysis of the Social Security and Medicare trust funds. While the 10-year fiscal outlook for these funds is basically stable, the 75-year fiscal outlook for these funds raises serious concerns. In fact, according to the 2005 *Financial Report*, the net present value of total resources needed to fund Social Security and Medicare over the next 75 years is approximately

\$35.6 trillion. This number represents the resources needed above and beyond the funding these programs will receive from payroll taxes, benefit taxes, and premium payments.

2005 marks the ninth year the Department of the Treasury has published the report in its current format (available at <http://www.fms.treas.gov/fr/index.html>). It is also the ninth time the Federal government's auditor, the Government Accountability Office, has been unable express an opinion on the reliability of the underlying financial information.

The Subcommittee intends to examine the figures in the 2005 *Financial Report* and what those numbers reveal about the fiscal health of the Federal government. The hearing will also provide an opportunity to examine the method by which the Report is created – including a discussion of the accuracy of information provided by some key Departments and agencies and a look at weaknesses in accounting practices across government.

Finally, the Subcommittee would like to explore how the information in the 2005 *Financial Report* can be utilized to inform the annual budget debate and spending decisions made by Congress and the President.

*Witnesses:*     **The Honorable David M. Walker**, Comptroller General of the United States  
                          U.S. Government Accountability Office

**Mr. Donald V. Hammond**, Fiscal Assistant Secretary  
                          U.S. Department of the Treasury

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